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To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, January 30, 2013
Time: 9:00 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 1203 Relating to Conformity of the Hawaii Estate and Generation Skipping Transfer Tax Law to the Internal Revenue Code

The Department of Taxation (Department) strongly supports S.B. 1203.

S.B. 1203 amends the Hawaii estate and generation skipping transfer (GST) tax law to conform to the Internal Revenue Code, as amended, as of the signing of the Taxpayer Relief Act of 2012. The Department is required by §236E-4(c) to submit to the legislature a bill to conform Hawaii's estate and GST tax with the Internal Revenue Code no later than 20 days prior to each regular session. This bill fulfills that statutory requirement.

In January 2013, the American Taxpayer Relief Act of 2012 (Act) became law. The Act amended several provisions of the federal estate and GST taxes. The Act extended and made permanent most treatment offered during 2012. Specifically, the estate tax exclusion amount and the portability of unused exclusion were made permanent. For 2012, for an estate of any decedent dying during calendar year 2012, the basic exclusion from estate tax amount was \$5,120,000.

These changes indirectly affect the federal GST tax due to use of the estate tax exclusion amount in determining the GST exemption amount. The increase in estate tax rate also indirectly affects the federal GST tax due to use of the maximum estate tax rate as the base for the federal GST tax rate and inclusion of estate taxes paid in the denominator of the applicable fraction.

Thank you for the opportunity to provide comments.